

The seal of the State of California is visible in the background, featuring the word "EUREKA" at the top, a central figure holding a torch, and the words "GREAT SEAL OF THE STATE OF CALIFORNIA" around the perimeter.

DEAR GOVERNOR DAVIS AND MEMBERS OF THE CALIFORNIA LEGISLATURE:

The California High-Speed Rail Authority presents this business plan to you in keeping with the mandate identified in Chapter 796 of the Statutes of 1996 (Senate Bill 1420, Kopp and Costa).

This business plan represents fairly the interests of Californians for higher-speed mobility; details a practical approach to constructing, operating and financing a high-speed train system; and conveys a reasoned assessment of how California can accommodate the intercity travel needs of 45-to-50 million Californians in 2020. The recommendations in this business plan are economically feasible, publicly popular, and fiscally prudent for initiating an investment in California's infrastructure of this magnitude.

The business plan was prepared and adopted by nine members of the public who brought to this effort varied knowledge and experience in transportation, government, finance, real estate development, and business. Our members included a former president pro tempore of the State Senate, two past chairmen of the California Transportation Commission and a past chairman of the Los Angeles Airport Commission. These individuals have played integral roles in the development of the state's transportation infrastructure. As a result, we are very mindful of how that infrastructure has evolved to meet the needs of California's growing population, particularly since the end of World War II.

A Smart Investment in Mobility

Individually, and as a body, we have reviewed the demographic, engineering, ridership, and financing work of consultants with the credentials to undertake a project of this magnitude for California. We have approached our work as if we were a private entity investing our own money (which, of course, tax dollars are).

We find that a high-speed train system is a smart investment in the state's future mobility. It will yield solid financial returns to the state and provide potentially dramatic transportation benefits to all Californians. It is a system that can be operated without public subsidy. The public's investment should be limited to that which is necessary to ensure the construction of the basic system.

We directed our consultants to use very conservative assumptions in their operating revenue projections in order to develop a credible scenario. For example, the revenue assumptions were based on the high-speed train fare being 50 percent of one-way, walk-up airfares between San Francisco and Los Angeles. To maximize both revenues and ridership, our analysis indicates the optimum high-speed train fare would be between 70 and 75 percent of the San Francisco-Los Angeles airfare. We believe that the future scenarios set forth in the sensitivity analyses (see Table 3-8: Ridership and Revenue Sensitivity Analyses) are the most likely to occur. These scenarios for 2020 include:

- Significantly greater congestion on the highways and at the airports than is included in this plan. The increased travel delays due to this congestion would make high-speed trains much more attractive to passengers.
- Higher airfares than the modest increases due to estimated inflation than used in this plan.
- Higher increase in overall intercity travel than used in this plan.
- Based on these scenarios, we believe the statewide high-speed train system could generate more than \$1 billion in excess revenues per year, beginning in 2020 (not the \$300 million estimated).

At this level of revenue generation, private sector funding to construct major elements of the system would be both practicable and advisable. Furthermore, we believe that a project of this magnitude and importance would attract federal funding, which we have not included in our full-funding scenario. Greater private sector funding, coupled with federal funding, would decrease greatly the amount Californians would need to invest, perhaps to only about one-third of the total project costs.

An Evolutionary Step for Transportation in California

With our own state's history and approach in mind, we explored how other nations that have high-speed train systems developed their approaches, pursued their programs, and built their systems.

Specifically, the French and German experiences are most instructive for California. When both nations began exploring high-speed trains as a transportation option, their populations were similar to what California is expected to experience in the coming decade. They pursued their programs at the same time that highways and airports expanded. And, they built their systems in order that their entire infrastructure would work better for their citizens.

The same should hold for California. High-speed trains, in our view, are a logical next step in California's transportation evolution. We do not envision high-speed trains replacing the need to expand highways and airports; we do expect that Californians will enjoy a more efficient and productive transportation infrastructure with the advent of high-speed trains.

The importance of the state's transportation infrastructure to the economic vitality of the state cannot be underestimated. Failure to manage congestion and provide efficient and effective higher-speed transportation alternatives could serve as a drag on the state's economic growth. By 2020, a one-percent decline in the state's economic output could equate to some \$50 billion in lost activity.

A Project in Keeping with California's Standards

As we have deliberated on the information that is the basis of this business plan, we challenged staff and consultants to keep California's standards-and expectations-for economic growth, environmental preservation, safety, and quality of life paramount in their work. As important as the financial qualities of the project are, the benefits to the state's citizenry, economy, and environment are equally as important.

This project is in keeping with California's high standards. We have concluded that a high-speed train system is a good fit for what California is today and will become in the future. We have further concluded that California should defer any consideration of what kind of high-speed trains should be selected to carry passengers until at least completion of the program environmental impact report. When it becomes necessary to choose the type of high-speed trains, the state should initiate an open procurement process to ensure that the state's taxpayers, and ultimately the high-speed train passengers, benefit from the best system at the best price.

After two years of careful and thorough analysis, the Authority is pleased to state that building a high-speed network similar to the one described in this business plan is a smart investment for the people of California. The initial work necessary to proceed with this project should begin as soon as possible.

As you deliberate on the project, we urge you to consider California's past, present, and future, as we have done. Based on the best facts at our disposal, we have concluded that California's future contains a high-speed train system. We trust you will conclude the same.



Michael E. Tennenbaum, Chairman



Donna Lee Andrews



Jerry B. Epstein



William E. Leonard



Edward P. Graveline, Vice Chairman



Dr. Ernest A. Bates



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